

No. 86-913

2

Supreme Court, U.S.
FILED

FEB 27 1987

JOSEPH F. SPANIOL, JR.
CLERK

In the Supreme Court of the United States

OCTOBER TERM, 1986

ROBERT W. HEINEMANN, PETITIONER

v.

UNITED STATES OF AMERICA

*ON PETITION FOR A WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS FOR
THE FEDERAL CIRCUIT*

**MEMORANDUM FOR THE UNITED STATES
IN OPPOSITION**

CHARLES FRIED
Solicitor General
Department of Justice
Washington, D.C. 20530
(202) 633-2217



TABLE OF AUTHORITIES

	Pages
Cases:	
<i>Chrysler Corp. v. Brown</i> , 441 U.S. 281 (1979)	6
<i>Dames & Moore v. Regan</i> , 453 U.S. 654 (1981)	6
<i>Kaplan v. Corcoran</i> , 545 F.2d 1073 (7th Cir. 1976)	4, 6
<i>Letter Carriers v. Austin</i> , 418 U.S. 264 (1974)	6
Statutes and regulations:	
Pub. L. No. 96-517, 94 Stat. 3015 <i>et seq.</i>	7
5 U.S.C. 301	4, 5, 6
5 U.S.C. 3301	4, 5, 6
5 U.S.C. 7301	4, 5, 6
Exec. Order No. 10096, 37 C.F.R. 100	1, 3, 4, 5, 6, 7, 8
Exec. Order No. 10930, 26 Fed. Reg. 2583 (1961)	3
Miscellaneous:	
H.R.J. Res. 454, 85th Cong., 1st Sess. (1957)	6

Miscellaneous—Continued:

<i>Rights of Government and its Employees in Inventions Made by Such Employees: Hearings on H.R.J. Res. 454, Before Subcomm. No. 3 of the House Comm. on the Judiciary, 85th Cong., 2d Sess. (1958)</i>	<i>7</i>
<i>Stedman, Rights and Responsibilities of the Employed Inventor, 45 Ind. L.J. 254 (1970)</i>	<i>7</i>

In the Supreme Court of the United States

OCTOBER TERM, 1986

No. 86-913

ROBERT W. HEINEMANN, PETITIONER

v.

UNITED STATES OF AMERICA

*ON PETITION FOR A WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS FOR
THE FEDERAL CIRCUIT*

MEMORANDUM FOR THE UNITED STATES IN OPPOSITION

Petitioner contends that Exec. Order No. 10096, 37 C.F.R. 100, which was issued in 1950 to establish a uniform policy for determining ownership rights with respect to patents on inventions of government employees, constitutes an unlawful exercise of legislative authority by the executive branch.

1. From 1957 to 1985, petitioner was employed by the United States as a chemist and physical scientist at the Department of the Army's Picatinny Arsenal (Picatinny) in New Jersey. In 1963, he was assigned to Picatinny's Warheads and Special Projects (WASP) laboratory, which was responsible, inter alia, for developing improved non-nuclear munitions. Petitioner's primary duty in the WASP laboratory was to coordinate and assist the laboratory chief in performing technical management of the laboratory's activities. He was also required to keep abreast of the latest

technical information applicable to the laboratory's work and to bring such information into the laboratory from other government sources and from private industry. Pet. App. 2a.

In the mid-1960's, the WASP laboratory was in the process of developing improved conventional weapons for use against armored vehicles. One concept being examined was the development of an "intelligent" anti-armor weapon, *i.e.*, one that can detect the location of the target during the terminal phase of its trajectory and deliver its destructive force directly to that location. A co-worker of petitioner's, Theodore Malgeri, was engaged in a search for a sensor to be used in an anti-armor weapon. Malgeri envisioned equipping a barrage rocket with such a sensor, thereby enabling the rocket to seek out and destroy the armored target. Petitioner became interested in Malgeri's project, and he conceived an idea for a similar weapon. Pet. App. 2a-3a.

Petitioner submitted a written disclosure of his concept in January 1966. Based on the written disclosure and on other information obtained from petitioner, government patent attorneys prepared a patent application. When the patent application was ready for filing, petitioner was requested to assign the ownership of the patent application to the government. In March 1972, petitioner executed an assignment of his patent application. The patent application matured into a patent in September 1977. Pet. App. 3a.

2. In May 1979, petitioner filed suit in the United States Court of Claims to recover compensation for the use of his invention. He alleged that his 1972 assignment was voidable and that he was the proper owner of the patent. In March 1984, after a trial on the ownership issue, the Claims Court found petitioner's express assignment of title defective and remanded the case to the Department of the Army (the

Army) for a determination of the parties' respective rights in the invention in accordance with Exec. Order No. 10096, Pet. App. 4a, 52a.¹

In July 1984, the Army issued a rights determination declaring that the government owned the entire right, title, and interest in the invention because "[t]he invention bears a direct relation to and was made in consequence of the official duties of the inventor" (Pet. App. 5a). Petitioner then appealed the Army's determination to the Commissioner of Patents and Trademarks. In November 1984, the Deputy Commissioner of Patents and Trademarks issued a decision upholding the Army's determination (*id.* at 5a-6a, 32a-35a). Petitioner then filed a request for reconsideration. The Deputy Commissioner, who was then Acting Commissioner, agreed to reconsider the matter, but he refused to modify his November 1984 decision (*id.* at 6a, 29a-31a).

In May 1985, petitioner filed a motion for partial summary judgment with the Claims Court, which had retained jurisdiction over the case. Specifically, petitioner sought a determination whether he was entitled to any right, title or interest in the patent. While petitioner's motion was pending, the government filed a motion for summary judgment, asserting that the complaint should be dismissed because

¹Exec. Order No. 10096, as amended, is reprinted, in relevant part, at Pet. App. 48a-50a. That order was originally promulgated in 1950 (see *id.* at 66a-72a) and was amended by Exec. Order No. 10930, 26 Fed. Reg. 2583, in 1961 (see Pet. App. 73a-74a). Exec. Order No. 10096 provides, in essence, that the government shall obtain title to any invention made by a government employee (i) during working hours, or (ii) with a contribution by the government of facilities, funds, information, or services, or (iii) which bears a direct relation to (or is made in consequence of) the employee's official duties. The order also specifies certain circumstances in which there is a rebuttable presumption that the invention is the property of the government.

petitioner was neither the legal nor the equitable owner of the patent. The Claims Court conducted a hearing on the motions, and on July 12, 1985, it entered an order denying petitioner's motion and granting the government's motion. The Claims Court found, inter alia, that the Acting Commissioner's determination was reasonable and was supported by substantial evidence. Pet. App. 6a-7a, 15a, 16a-27a.

3. On appeal, the Federal Circuit affirmed the order of the Claims Court (Pet. App. 1a-11a). The court rejected petitioner's contention that Exec. Order No. 10096 was an unconstitutional legislative act by the executive branch. Relying on the Seventh Circuit's decision in *Kaplan v. Corcoran*, 545 F.2d 1073 (1976), the court held that several statutes, including 5 U.S.C. 301, 3301, and 7301, "authorize the President to prescribe regulations concerning the conduct of Government employees and the ownership of Government property" (Pet. App. 9a). In addition, the court agreed with the *Kaplan* court that " 'the failure of Congress to modify or disapprove [Exec. Order No. 10096]' " demonstrated "congressional acquiescence in the order" (*ibid.* (quoting *Kaplan*, 545 F.2d at 1077)). The court also found that the order provided sufficient procedural safeguards and contained uniform standards (Pet. App. 9a). Finally, the court found that the Army correctly determined that petitioner's invention bore a direct relation to and was made in consequence of his official duties. It noted the Army's finding that "[petitioner's] responsibilities included coordinating laboratory work and acting as a liason for researchers." *Id.* at 9a-10a.

4. Petitioner asserts (Pet. 9-19) that Exec. Order No. 10096 is an unconstitutional exercise of legislative authority by the executive branch.² The decision of the court of appeals, however, is correct and does not conflict with any decision of this Court or any other court of appeals. Review by this Court is therefore not warranted.

a. We note at the outset that petitioner has not explained why the issue is sufficiently important to warrant further review. Executive Order No. 10096 was promulgated in January 1950. Apart from the present case, we know of only one similar court challenge to the order during its 37 years in existence, and in that case, the *Kaplan* case, the court upheld the constitutionality of the order. Indeed, apart from this case and *Kaplan*, we have found only two published court cases that cite or mention Exec. Order No. 10096 for any purpose. And other than this case, we are not aware of any pending court case involving the order. This almost complete absence of litigation concerning Exec. Order No. 10096 suggests that the order has not posed any serious administrative difficulties or resulted in any unfair hardship.

b. In any event, the court of appeals' ruling upholding the constitutionality of Exec. Order No. 10096 is correct. As both the Federal Circuit (Pet. App. 9a & n.14) and the Seventh Circuit in *Kaplan* (545 F.2d at 1077) recognized, at least three statutes (5 U.S.C. 301, 3301, and 7301) authorized the President to issue Exec. Order No. 10096. Those

²Although the Federal Circuit found (Pet. App. 8a) that petitioner had adequately raised the issue at the trial level to warrant its consideration on appeal, we note that in papers filed in support of his summary judgment motion, petitioner explicitly stated that he was *not* raising the issue. After pointing out that *Kaplan* had upheld Exec. Order No. 10096 as a constitutional exercise of authority by the executive branch, he noted: "Plaintiff has no argument here with the underlying premise of the *Kaplan* decision." Plaintiff's Memorandum in Support of Its Motion for Partial Summary Judgment 14 n.5.

statutes enable the executive branch to prescribe regulations governing the conduct and hiring of its employees and the custody of its property.³ Petitioner has not demonstrated that these statutes are insufficient to justify the promulgation of the order. See generally *Letter Carriers v. Austin*, 418 U.S. 264, 273 n.5 (1974) (relying on Section 7301 to sustain validity of an executive order establishing a labor-relations system for federal employees similar to that under the National Labor Relations Act).⁴

In addition, as in *Kaplan*, the court relied on Congress's long-standing failure to modify or disapprove the order (Pet. App. 9a; *Kaplan*, 545 F.2d at 1077). See generally *Dames & Moore v. Regan*, 453 U.S. 654, 668-669 (1981).⁵

³Section 301 authorizes executive and military department heads to prescribe regulations for the government of their department, including "the custody, use, and preservation of its records, papers, and property." Section 3301 authorizes the President to "prescribe such regulations for the admission of individuals into the civil service in the executive branch as will best promote the efficiency of that service." Section 7301 authorizes the President to "prescribe regulations for the conduct of employees in the executive branch."

⁴Petitioner contends (Pet. 10) that the court of appeals' reliance on those statutes conflicts with this Court's decision in *Chrysler Corp. v. Brown*, 441 U.S. 281 (1979). In the first place, as petitioner apparently concedes (Pet. 11-13), *Chrysler* addressed only Section 301 and not Sections 3301 and 7301. Moreover, *Chrysler* involved the issue whether Section 301 authorized rules permitting the release of trade secrets or confidential business information (441 U.S. at 308-312). The issue in the present case, by contrast, is whether Section 301 authorizes an executive order setting out a particular term and condition of federal employment. We submit that Section 301 provides authority for the kind of executive order involved in the present case.

⁵We note in this regard that Exec. Order No. 10096 has been specifically brought to Congress's attention. For example, in 1957, a bill was introduced that would have modified the policies in Exec. Order No. 10096. H.R.J. Res. 454, 85th Cong., 1st Sess. (1957). Although hearings were held on the bill (*Rights of Government and its Employees in Inventions Made by Such Employees: Hearings on H.R.J. Res. 454 Before Subcomm. No. 3 of the House Comm. on the Judiciary*, 85th Cong., 2d Sess. (1958)), it was not reported out of committee.

The Seventh Circuit in *Kaplan* squarely addressed the issue whether Exec. Order No. 10096 was authorized by Congress. Subsequent to *Kaplan*, Congress revisited the subject of patent rights,⁶ yet it did not take any action to alter the effect of Exec. Order No. 10096.⁷ In sum, we submit that the Federal Circuit in this case (and the Seventh Circuit in *Kaplan*) correctly concluded that, if Congress believed that the Executive had invaded its prerogatives, it has had every opportunity to say so.⁸

⁶Specifically, in 1980, it amended the patent and trademark laws by enacting a law with respect to patent rights to inventions made under government contract (Pub. L. No. 96-517, 94 Stat. 3015 *et seq.*).

⁷Petitioner (Pet. 15-18) attempts to explain Congress's inaction by arguing that Congress was under the impression that Exec. Order No. 10096 was simply being enforced in a manner consistent with the common law. But his evidence is unpersuasive. For example, to explain why Congress has taken no action in the 10 years since *Kaplan*, he relies (Pet. 17) entirely on a presentation by the Director of the Office of Federal Employee Inventions in 1984 to the Government Patent Lawyers Association. But there is no reason to believe that Congress was aware of this presentation, let alone that such an event would have been sufficient to alleviate Congress's concerns if it had actually disagreed with *Kaplan*.

⁸Petitioner's remaining contentions lack merit. First, petitioner contends (Pet. 19-21) that Exec. Order No. 10096 is unconstitutional because it has a rebuttable presumption of an assignment of a patent to the government and therefore impermissibly shifts the burden of proof to the employee/inventor. That argument erroneously assumes that the patent rights inhere in the employee regardless of the circumstances of the invention. As the Seventh Circuit in *Kaplan* and the Federal Circuit below make clear, however, Exec. Order No. 10096 establishes a uniform federal policy to govern all invention rights of federal employees. As such, the order is incorporated into federal employment contracts and constitutes a term of employment. An inventor is not obligated to work for the government; if he chooses to do so, he does so subject, *inter alia*, to Exec. Order No. 10096. Cf. Stedman, *Rights and Responsibilities of the Employed Inventor*, 45 Ind. L.J. 254, 258 (1970) (discussing practice in private industry of requiring employees to sign contracts assigning all rights in inventions to their employer). Such a rule is particularly reasonable where, as here, the inventor is working in the

It is therefore respectfully submitted that the petition for a writ of certiorari should be denied.

CHARLES FRIED
Solicitor General

FEBRUARY 1987

area of weapons construction, and learns about the need for a particular weapon only as a result of such employment.

Second, petitioner contends (Pet. 21-22) that he was entitled to *de novo* judicial review in the Federal Circuit before the government could finally deprive him of any rights to his patent. As the Federal Circuit held (Pet. App. 9a-10a), however, petitioner was not denied procedural due process. Specifically, after the Court of Claims determined that petitioner's written assignment was invalid, that court remanded petitioner's challenge to the agency for a determination of patent rights pursuant to the scheme established under Exec. Order No. 10096. The Army determined that petitioner's invention bore a direct relation to **and was made in consequence** of official duties of the inventor. It found that petitioner's responsibilities included coordination of laboratory work and acting as liason for researchers. It also found that petitioner failed to rebut the presumption that, since he was within those catagories of government employees specified in Exec. Order No. 10096, his invention became the property of the government. The Army's determination was upheld by the Commissioner of Patents and Trademarks. Dissatisfied with the final agency action, petitioner sought to set aside the Commissioner's decision. The Claims Court reviewed the Commissioner's decision and found it to be reasonable and consistent with law. The entire matter was then reviewed by the Federal Circuit under an arbitrary and capricious standard. Although the Federal Circuit correctly declined to engage in *de novo* review, petitioner clearly had a full and fair opportunity to present his case at every level of the administrative and judicial process.

